

Message Text

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13

ACTION EB-11

INFO OCT-01 AF-10 NEA-10 ADP-00 AID-20 CIAE-00 COME-00

FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12

CIEP-02 LAB-06 SIL-01 OMB-01 IO-13 EUR-25 PA-03 PRS-01

USIA-12 NSC-10 SS-15 STR-08 CEA-02 L-03 H-02 RSR-01

/189 W

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R 100900Z JUL 73

FM USINT CAIRO

TO SECSTATE WASHDC 3389

INFO AMEMBASSY ABU DHABI

USINT ALGIERS

AMEMBASSY BEIRUT

AMCONSUL DHAHRAN

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY TEL AVIV

AMEMBASSY TRIPOLI

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BEIRUT PASS BAGHDAD

E.O. 11652: N/A

TAGS: EFIN XF

SUBJECT: STATEMENT BY ARAB FINANCE MINISTERS

REF: CAIRO 2061 (NOTAL)

1. REFTEL NOTED STATEMENT BY ECONOMIC AND
FINANCE MINISTERS OF EGYPT, SAUDI ARABIA, ALGERIA,
KUWAIT, LIBYA, QATAR, IRAQ AND UAE FOLLOWING DISCUSSIONS
HELD JULY 7-8 AT ARAB LEAGUE HEADQUARTERS. FOLLOWING
IS USINT TRANSLATION OF STATEMENT, WHICH WAS RELEASE IN
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ARABIC BY ARA LEAGUE:

QUOTE: THE COMMITTEE OF ARAB MINISTERS OF ECONOMY AND FINANCE DISCUSSED AT ITS MEETINGS AT THE ARAB LEAGUE HEADQUARTERS IN CAIRO ON JULY 7 AND 8 PROPOSALS PERTAINING TO THE RECTIFICATION OF THE WORLD MONETARY SYSTEM. (THE COMMITTEE) HAS CONCLUDED THAT:

"(1) THE WORLD MONETARY CRISIS IS A RESULT OF ECONOMIC CIRCUMSTANCES AND DEVELOPMENTS IN THE MAJOR INDUSTRIAL COUNTRIES. THE DEVELOPING COUNTRIES, WHETHER THEY ARE IN DEFICIT OR SURPLUS, HAVE SUSTAINED ECONOMIC BURDENS AND DAMAGES AS A CONSEQUENCE OF THIS CRISIS, WHICH IS NOT OF THEIR MAKING. SHORT-TERM CAPITAL MOVEMENTS (WHICH HAVE RECENTLY OCCURRED) ARE NOT ATTRIBUTABLE TO SURPLUSES IN THE BALANCES OF PAYMENTS OF DEVELOPING COUNTRIES, BUT RATHER TO THE IMBALANCE OF PRICE LEVELS AND EXCHANGE RATES BETWEEN THE INDUSTRIALLY ADVANCED COUNTRIES.

"(2) THE PARTICIPATION OF THE DEVELOPING COUNTRIES IN DISCUSSIONS CONCERNING RECTIFICATION OF THE WORLD MONETARY SYSTEM WITHIN THE 20-MEMBER COMMITTEE IS OBSTRUCTED BY THE TENDENCY OF THE INDUSTRIALLY ADVANCED COUNTRIES TO CONDUCT A DIALOGUE AMONG THEMSELVES OUTSIDE THE FRAMEWORK OF THE 20-MEMBER COMMITTEE. THIS GIVES THE DEVELOPING COUNTRIES NO EQUITABLE OPPORTUNITY TO EFFECTIVELY PARTICIPATE IN (THE COMMITTEE'S) DELIBERATIONS.

"(3) THE DRAFT SUBMITTED BY THE USA TO THE 20-MEMBER COMMITTEE FOR THE RECTIFICATION OF THE WORLD MONETARY SYSTEM CONTAINS A PROPOSAL FOR THE IMPOSITION OF RESTRICTIONS ON THE USE OF THE MONETARY RESERVES OF SURPLUS COUNTRIES, IF SUCH RESERVES ARE CONSIDERED PART OF WHAT IS TERMED THE INVESTMENT BALANCE.

"THE IMPOSITION OF SUCH RESTRICTIONS COULD RESULT IN HARMFUL ECONOMIC EFFECTS TO THE WORLD MONETARY SYSTEM IN GENERAL, AND TO COUNTRIES POSSESSING INVESTMENT BALANCES IN PARTICULAR.
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"(4) THE IDEA OF IMPOSING RESTRICTIONS ESSENTIALLY CONTRADICTS THE WORLD MONETARY SYSTEM BASED UPON THE FREEDOM OF FINANCIAL TRANSFER AND UPON MARKET (I.E., SUPPLY AND DEMAND) ECONOMIES. SUCH RESTRICTIONS WOULD INEVITABLY HAVE AN ADVERSE EFFECT ON BOTH THE WORLD MONETARY SYSTEM AND INTERNATIONAL TRADE. THESE RESTRICTIONS WILL NOT MEND THE DEFECTS FROM WHICH THE

WORLD MONETARY SYSTEM PRESENTLY SUFFERS. THESE (DEFECTS) ARE DUE TO BASIC SHORTCOMINGS IN THE ECONOMIES OF THE HIGHLY INDUSTRIALIZED COUNTRIES THEMSELVES, AND NOT TO RELATIVELY LIMITED AMOUNT OF RESERVE BALANCES POSSESSED BY SOME DEVELOPING SURPLUS COUNTRIES.

"(5) THE ECONOMIC EFFECT OF IMPOSING RESTRICTIONS ON SURPLUS RESERVES OF COUNTRIES WHICH DEPEND PRIMARILY ON THE PRODUCTION OF ONE EXPORTABLE COMMODITY WILL BE REPRESENTED BY A REDUCTION OF INCENTIVES FOR PRODUCING FOR EXPORT. AS A CONSEQUENCE, THE GROWTH OF PRODUCTION OF THESE EXPORTABLE COMMODITIES WILL BE LIABLE TO CURTAILMENT TO THE DETRIMENT OF WORLD TRADE IN GENERAL.

"(6) ANY MEASURE DESIGNED TO RESTRICT OR BLOCK THE USE OF RESERVES IN CERTAIN MONETARY AREAS WILL RESULT IN FINANCIAL BURDENS UPON THESE RESERVES AS A CONSEQUENCE OF INTEREST RATE DIFFERENCES WITHIN WORLD MONETARY MARKETS, DIFFERENT DOMESTIC INFLATION (RATES) IN THESE MONETARY MARKETS, AND THE DANGERS RESULTING FROM A REDUCTION OF THE EXCHANGE RATE IN THE MONETARY AREA WHERE SUCH RESERVES ARE BLOCKED. THEREFORE, IT IS INESCAPABLY NECESSARY TO DEVISE A SYSTEM WHEREBY SUCH RESERVES ARE SAFEGUARDED AGAINST DAMAGES. THE MONETARY AREA WHERE SUCH MONIES ARE BLOCKED WILL BEAR THE COSTS AND BURDENS OF SUCH A SYSTEM OF SAFEGUARDS. END QUOTE.

2. COMMENT: WHILE MODERATELY WORDED, STATEMENT CONTAINS HINT OF RESTRICTIONS ON OIL PRODUCTION (PARA 5) IF ACTION IS TAKEN TO PLACE RESTRICTIONS ON USE OF MONETARY RESERVES OF OIL PRODUCING COUNTRIES.
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